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FISCAL IMPACT STATEMENT

LS 7296

BILL NUMBER: SB 495

NOTE PREPARED: Jan 7, 2013

BILL AMENDED:

SUBJECT: Property tax assessment date.

FIRST AUTHOR: Sen. Hershman

BILL STATUS: As Introduced

FIRST SPONSOR:

FUNDS AFFECTED: ☒ **GENERAL**
☐ **DEDICATED**
☐ **FEDERAL**

IMPACT: State & Local

Summary of Legislation: *Assessment Date:* This bill changes the assessment date for property to January 1 of the year in which the taxes are due, beginning with property taxes payable in 2016.

This bill permits the DLGF to prescribe the assessed value reduction for a taxing unit to absorb the effects of estimated reduced property tax collections beginning in 2016. (Until 2016 the reduction may not exceed 2%.) The bill also permits the DLGF to adopt emergency rules to implement the date change.

Personal Property Returns: The bill adjusts filing dates for personal property returns and deduction applications. It requires assessors to provide access to personal property tax returns and schedules on the Internet beginning in 2016. It also allows the Department of Local Government Finance (DLGF) to require electronic data submission for personal property taxes beginning in 2016.

Effective Date: July 1, 2013.

Explanation of State Expenditures: *Personal Property Returns:* The DLGF would be permitted to adopt rules to either permit or require personal property taxpayers to electronically submit returns, schedules, and amended returns. There could be significant costs to develop a personal property tax return filing system if the DLGF chooses to do so.

Explanation of State Revenues:

Explanation of Local Expenditures: *Personal Property Returns:* Counties would have to provide access to personal property tax forms on their website for download by taxpayers. The county assessor would no longer be required to make printed forms available. This provision would reduce county printing costs. Most counties have at least a minimal web site. The DLGF posts all personal property tax forms on its website. There would be almost no cost to the counties to place a link on their sites to the DLGF site.

If the DLGF chooses to require electronic filing, county expenditures for handling returns could be reduced. If the DLGF develops and operates a system, there would likely be little or no cost to the counties. However, if the DLGF requires the counties to run their own return filing systems, the counties would have added costs.

Explanation of Local Revenues: *Assessment Date - Summary:* The amount of the assessed value (AV) tax base drives most tax rates under the property tax system. For rate-controlled funds, AV drives the levy. If the certified net AV is affected by this provision, tax rates, tax levies, and revenue losses due to the circuit breaker could be affected. Some effects may be positive and some negative. The effect in any one year and in any one locality would depend on the economic trend, estimates of AV made by assessors, and adjustments made by county auditors and the DLGF.

Assessment Date - Background: Under current law, real and personal property (except mobile homes) is assessed on March 1 and taxes are payable in May and November of the following year. Mobile homes are assessed on January 15 and taxes are due in the same year. This bill would move the assessment date to January 1 for all property with taxes payable in the same year. The bill would also change the filing deadline for personal property tax returns from May 15 to the following January 15. A representation of the current and proposed assessment dates is shown below.

Pay Year	Current Assessment Date		Proposed Assessment Date		Personal Property Return Filing	
	Real/Pers	Mobile Homes	Real/Pers	Mobile Homes	Current	Proposed
2015	3/1/2014	1/15/2015			5/15/2014	
2016	3/1/2015	1/15/2016	1/1/2016	1/1/2016	5/15/2015	1/15/2016
2017	3/1/2016	1/15/2017	1/1/2017	1/1/2017	5/15/2016	1/15/2017

Under current law, the assessed value of real property is based on the estimated true tax value of the property on the assessment date. If the assessment date is moved 10 months later, the assessed value will likely change. In times of growth, the increase in assessments would be realized 10 months sooner than they are currently. In times of decline, the drop in assessments would be realized 10 months sooner.

The DLGF must certify local property tax rates by February 15, each year. Assessors and auditors may have to make estimates of real and personal property AV in order to receive tax rates in a timely fashion.

Currently, the county auditor may make certain adjustments to the net AV that the auditor certifies to the DLGF. The auditor may reduce net AV for successful appeals and for homeowner deductions granted after

the auditor certifies net AV. The reduction cannot exceed 2% of the net AV in a taxing district.

Under this bill, the county auditor could also make adjustments for any deduction or exemption granted after the auditor certifies net AV and to correct for forecasting errors in the estimation of AV. Instead of 2%, the reduction limit would be set for each taxing unit by the DLGF.

Under current law, the DLGF may not increase a taxing unit's budget, levy, or tax rate to an amount that exceeds the amount originally adopted by the unit. This provision would permit the DLGF to increase or decrease a tax rate in order to generate the related tax rate. Any rate increase would be subject to other existing statutory limits.

State Agencies Affected: Department of Local Government Finance.

Local Agencies Affected: Local assessors; County auditors; Local civil taxing units and school corporations.

Information Sources:

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